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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, September 5, 2000

PETITION OF

LIGHTYEAR COMMUNICATIONS OF VIRGINIA, INC.,
f/k/a UNIDIAL COMMUNICATIONS OF VIRGINIA, INC.,

LIGHTYEAR COMMUNICATIONS, INC.,
f/k/a UNIDIAL COMMUNICATIONS, INC.,

and

CASE NO. PUA000043

LIGHTYEAR TELECOMMUNICATIONS, LLC,
f/k/a UNIDIAL TELECOMMUNICATIONS, LLC

For approval of an indirect
minority transfer of control

ORDER GRANTING APPROVAL

On May 25, 2000, UniDial Communications of Virginia, Inc. ("Uni-VA"), UniDial Communications, Inc. ("Uni-Comm"), and UniDial Telecommunications, LLC ("Uni-Tel") (collectively, the "Petitioners," the "Companies"), filed a petition under the Utility Transfers Act requesting approval of an indirect minority transfer of control.

Uni-VA, a Virginia corporation, is a wholly owned subsidiary of UniDial Holdings, Inc. ("UniDial Holdings"), a Delaware holding company whose principal business is telecommunications. Uni-VA holds a certificate of public convenience and necessity to provide local exchange telecommunications services in Virginia. Uni-VA currently does not have accepted tariffs on file with the Commission.

Uni-Comm, a Kentucky corporation, is a wholly owned subsidiary of UniDial Holdings. Uni-Comm currently provides resold interexchange services in Virginia.

Uni-Tel, a Delaware corporation, is a wholly owned subsidiary of UniDial Holdings. Uni-Tel currently provides resold interexchange services in Virginia.

VarTec Telecom, Inc. ("VarTec"), has a certificate to transact business in Virginia and provides resold interexchange services in Virginia. VarTec is a Texas corporation authorized to provide intrastate local exchange and/or interexchange services in numerous other states.

On July 7, 2000, Uni-Comm amended its petition to reflect the proper names of Petitioners. On July 25, 2000, Petitioners also filed a second amendment whereby they incorporated the changed names of two of the Petitioners. Specifically, Petitioners' amendment changed the names of UniDial Communications, Inc., to Lightyear Communications, Inc., UniDail Telecommunications, LLC, to Lightyear Telecommunications, LLC.¹

Petitioners represent that in order to finance their provision of additional products and services, the UniDial companies determined that they should enter into a series of

transactions whereby VarTec will purchase shares of UniDial Holdings' stock. Pursuant to that agreement, a private shareholder will sell 2,975,000 shares of common stock of UniDial Holdings to VarTec. This constitutes approximately 15.6% of the outstanding shares of common stock of UniDial Holdings on a non-diluted basis.

As stated in the petition, in another transaction UniDial Holdings and VarTec entered into a Note Purchase Agreement ("Agreement") whereby VarTec purchased a \$25 million subordinated convertible note ("Note") issued by UniDial Holdings. Pursuant to the Agreement, VarTec may purchase an additional subordinated convertible note ("Second Note") for \$15 million issued by UniDial Holdings. The Companies state that the proceeds of the sale will be used to fund capital expenditures associated with the development and deployment of the Companies' network, to provide working capital, and for other general corporate purposes.

As a result of the above-described transactions, VarTec will hold approximately 27% of the common stock of UniDial Holdings. However, the Companies represent that the proposed transactions will not result in a change in the management of the Petitioners. Additionally, the Companies state that there will be no change in the manner in which the Companies provide service to existing Virginia customers. The Companies will continue to provide service to existing Virginia customers pursuant to their authorizations with no change in the rates or terms and conditions of service. Moreover, the Petitioners will continue to be led by the same team of officers and telecommunications managers. The Petitioners represent that the transactions will, therefore, be virtually transparent to the

¹ Neither entity is certificated in Virginia.

Companies' Virginia customers in terms of the quality and the types of services that they receive.

Petitioners represent that at no time will VarTec hold 50% or more of the shares of UniDial Holdings should the Notes be converted.

THE COMMISSION, upon consideration of the petition and representations of the Petitioners and having been advised by its Staff, is of the opinion and finds that the above-described transactions will neither impair nor jeopardize the provision of adequate service to the public at just and reasonable rates and should, therefore, be approved. Accordingly,

IT IS ORDERED THAT:

1) Pursuant to §§ 56-88.1 and 56-90 of the Code of Virginia, VarTec and the Companies are hereby granted approval for VarTec to acquire shares of common stock of UniDial Holdings under the terms and conditions described herein.

2) There appearing nothing further to be done in this matter, it is hereby dismissed.